

Message Text

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LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 9957

ACTION STR

H PASS CODEL, PASS AGRICULTURE

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1. SUMMARY. US HELD FIRST CONSULTATION WITH CANADA
DECEMBER 8 ON MEASURES AFFECTING TRADE IN AGRICULTURAL
PRODUCTS (REFTEL A). CANADA'S MAJOR CONCERNS CENTERED
ON TARIFF DISPARITIES BETWEEN US AND CANADA ON CATTLE,
BEEF, POTATOES, GRAIN AND FISHERY PRODUCTS, AMONG OTHERS;
TARIFF RATE QUOTAS ON CATTLE, POTATOES AND FISH; SECTION 22
QUOTAS ON CHEESE; MEAT IMPORT LAW; WINE GALLON/PROOF
GALLON ASSESSMENT; AND SHORT-TERM MARKET DISRUPTION IN
HORTICULTURAL SECTOR. FOLLOW-UP MEETING TO BE HELD LATE
JANUARY. ACTION REQUESTED. SEE PARA 8 BELOW. END
SUMMARY.

2. THE CONSULTATIONS WITH CANADA ON MEASURES MAINTAINED BY
THE US ON AGRICULTURAL AND FISHERY PRODUCTS WERE HELD
WITHOUT PREJUDICE TO ANY QUESTION OF FORUM OR FORA IN
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WHICH SUCH ISSUES MAY BE DISCUSSED OR NEGOTIATED AND

WITHOUT PREJUDICE TO AN AGREED DEFINITION OF WHAT CONSTITUTES AGRICULTURE. IT SHOULD BE RECALLED THAT MOST OF THE NTM'S NOTIFIED BY CANADA HAVE ALREADY BEEN THE SUBJECT OF CONSULTATIONS IN THE FALL OF 1975 UNDER QR SUBGROUP PROCEDURES (REFTELS C AND D).

3. IN OPENING REMARKS, CANADIAN DEL (GIFFORD) VIEWED MEETING AS CLARIFICATION OF CANADIAN NOTIFICATIONS (REFTEL B) AND INITIATION OF INFORMAL DIALOGUE WITH US ON AGRICULTURAL ISSUES, THE FIRST OF A SERIES OF CONSULTATIONS. SO AS NOT TO INHIBIT FREE EXCHANGE OF VIEWS HE PRESSED FOR SHORT REPORTS LIMITED TO FACT THAT DELEGATIONS MET AND CONSULTED ON RESPECTIVE NOTIFICATIONS. MORE DETAILED REPORTS (WRITTEN OR ORAL) CITING CONCLUSIONS WITH RESPECT TO MEASURES AND/OR PRODUCTS SHOULD BE MADE LATER BY EACH PARTICIPANT ON THE BASIS OF ALL CONSULTATIONS.

4. HE REITERATED NOTIFICATIONS WERE INDICATIVE OF CANADA'S TRADE INTERESTS AND DID NOT REPRESENT CANADA'S REQUESTS. THEY WERE BASED ON CHAPTERS 1-24 OF THE BTN ONLY BECAUSE OF ABSENCE OF ANY AGREED DEFINITION OF AGRICULTURAL PRODUCTS. HE STATED MAJOR CANADIAN OBJECTIVE IS TO REDUCE TARIFF DISPARITIES AND HARMONIZE TARIFF RATES (BEEF, CATTLE, POTATOES AND OTHER HORTICULTURAL PRODUCTS, GRAIN AND FISHERY PRODUCTS, SPIRITS AMONG OTHERS) THROUGH ESSENTIALLY BILATERAL NEGOTIATIONS WITH US ON AGRICULTURAL PRODUCTS, AS HAS BEEN THE PRACTICE IN PREVIOUS NEGOTIATIONS. WITH RESPECT TO TARIFF RATE QUOTAS ON CATTLE, FISH, AND POTATOES, HE REMINDED US THAT THEY WERE STILL AWAITING A WRITTEN RESPONSE (REFTEL C) AS TO WHETHER US HAD LEGAL AUTHORITY TO INCREASE SIZE OF TARIFF QUOTAS AND/OR REDUCE THE QUOTA RATES WITHOUT SEEKING FORMAL CONGRESSIONAL APPROVAL.

5. US DEL (KOENIG) AGREED PURPOSE OF CONSULTATION WAS CLARIFICATION OF FACTS AND THAT REPORTING PROCEDURES AND QUESTION OF COVERAGE AT THIS STAGE SHOULD NOT BE SUCH AS TO INHIBIT FREE EXCHANGE OF VIEWS. BOTH QUESTIONS COULD BE ADDRESSED LATER AT A SECOND MEETING, POSSIBLY IN LATE JANUARY. US STATED THAT US NOTIFICATIONS AGAINST LIMITED OFFICIAL USE

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CANADA ARE INTER ALIA CONTINGENT UPON SATISFACTORY REPORTING PROCEDURES BEING ADOPTED AT FORTHCOMING GROUP AGRICULTURE MEETING AND PROMISED RESPONSE TO QUESTION OF NEGOTIABILITY OF TARIFF RATE QUOTAS.

6. SPECIFIC COMMODITY COMMENTS ARE AS FOLLOWS:

(A) LIVESTOCK AND MEAT. CANADIAN DEL STATED THAT CANADA

IS OPERATING WITHIN THE NORTH AMERICAN LIVESTOCK ECONOMY, AND AS SUCH HAS DIRECT BILATERAL TRADE CONCERNS WITH TARIFF DISPARITIES, TARIFF RATE QUOTAS, AND MEAT IMPORT LAW. ALL IMPORTED CATTLE SHOULD BE SUBJECT TO THE SAME US DUTY (I.E., WITHOUT A TARIFF QUOTA) AND ALL BEEF SHOULD BE SUBJECT TO THE SAME US DUTY, AS IS THE CASE IN CANADA. AS AN EXAMPLE OF A PROBLEM RESULTING FROM THE VARYING DUTY LEVELS, HE SAID IT APPEARED THAT FRESH BEEF PACKED IN CRYOVAC BAGS WOULD BE DUTIABLE AT 7.5 PERCENT AD VALOREM UNDER TSUS 107.52 AS BEEF IN AIRTIGHT CONTAINERS RATHER THAN AT 3 CENTS PER POUND AS BEEF AND VEAL FRESH, CHILLED OR FROZEN (TSUS 106.10). HE ASKED FOR CONFIRMATION OF THIS CLASSIFICATION AND EXPRESSED INTEREST IN AN EX-OUT FOR FRESH, CHILLED OR FROZEN BEEF IN CRYOVAC BAGS. WITH RESPECT TO US MEAT IMPORT LAW, CANADIAN DEL STATED THAT THE LAW HAD RESULTED IN DIVERSION OF TRADE INTO THE CANADIAN MARKET AND CONTRIBUTED TO TRADE RESTRICTIVE ACTIONS TAKEN BY US AND CANADA. HE ASKED HOW THE US WOULD NEGOTIATE ITS MEAT LAW IN THE MTN. US DEL TOOK NOTE OF THESE REMARKS AND STATED THAT THE US WOULD GIVE CAREFUL CONSIDERATION TO REQUESTS FOR CHANGES IN US IMPORT REGIME SUBJECT TO THE MEAT IMPORT LAW.

(B) DAIRY PRODUCTS. CANADIAN DEL RECOGNIZED THE DIFFICULTY FOR ANY COUNTRY IN LIBERALIZING DAIRY UNILATERALLY BUT SAID THAT IF THE US WERE ABLE TO LIBERALIZE ANYTHING, CANADA WOULD BE MOST INTERESTED (APART FROM SECTION 22 IN GENERAL) IN THE LIBERALIZATION OF "AGED CANADIAN CHEDDAR" AND OTHER SPECIALTY CHEESES. HE ALSO SAID THAT THE US MUST REALIZE THAT IN ORDER FOR CANADA AND THE US TO GET ANYTHING FROM THE EC IN GRAINS, THE EC WOULD HAVE TO BE GIVEN CONCESSIONS IN DAIRY AND MAYBE INCLUDING COMMITMENTS NOT TO LEVY COUNTERVAILING DUTIES. HE ASKED LIMITED OFFICIAL USE

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WHETHER THE US HAD GIVEN THOUGHT TO THE EVENTUAL PACKAGE WHICH MIGHT BE WORKED OUT TO ANSWER THIS QUESTION. THE US EXPRESSED DOUBT THAT A QUID PRO QUO BETWEEN CONCESSIONS ON DAIRY AND ON GRAINS COULD BE ESTABLISHED AND REITERATED THAT THERE WOULD HAVE TO BE AN ALL AROUND WILLINGNESS TO LIBERALIZE DAIRY PRODUCTS IN ORDER TO BRING THESE PRODUCTS ON THE NEGOTIATING TABLE.

(C) FRUITS AND VEGETABLES. CANADIAN DEL SAID THAT THE MOST IMPORTANT PRODUCT FOR CANADA IN THIS SECTOR IS POTATOES. HE STRESSED THAT CANADA CONSIDERS INTOLERABLE THE GROSS TARIFF DISPARITY RESULTING FROM THE TARIFF RATE QUOTA APPLIED TO THIS PRODUCT, ESPECIALLY SINCE US FRUIT AND VEGETABLE EXPORTS TO CANADA ARE SUBJECT TO LOW DUTIES. HE SAID THAT ASIDE FROM ECONOMIC CONSIDERA-

TIONS, CANADA FOR POLITICAL REASONS, MUST COME AWAY FROM THE MTN WITH SOMETHING FOR EACH OF THE PROVINCES AND POTATO EXPORTS ARE EXTREMELY IMPORTANT TO THE EASTERN PROVINCES. CANADIAN DEL ALSO NOTED THE "TEMPORARY" INCREASE OF THE US DUTY ON POTATO STARCH AS A RESULT OF THE CHICKEN WAR AND SAID THAT POTATO STARCH HAS AN EXPORT POTENTIAL FOR CANADA.

CANADIAN DEL SAID THAT THE RECENT RESPONSE (HARTZELL LETTER BASED ON TSC DOC 76-43 ANNEX IV) TO CANADIAN QUERY ON MARKETING ORDERS WAS UNSATISFACTORY IN RELATION TO US JUSTIFICATION UNDER GATT. HE SAID THAT HE WOULD BE STUDYING THE MARKETING ORDER ISSUE FURTHER WHEN HE RETURNS TO OTTAWA THIS WEEK.

CANADIAN DEL ALSO MENTIONED THAT HE WOULD BE GATHERING MORE INFORMATION ON SPECIFIC HEALTH AND SANITARY PROBLEMS THAT CANADA HAS ENCOUNTERED IN THE US MARKET FOR FRUITS AND VEGETABLES, PARTICULARLY WITH REGARD TO FDA SAMPLING PROCEDURES WHICH CAUSE UNDU DELAYS AT THE BORDER.

CANADA DREW ATTENTION TO PERIODIC CROSS BORDER PROBLEMS RESULTING PRIMARILY FROM TEMPORARY SURPLUSES IN THE FRUIT AND VEGETABLE SECTOR. CANADA FELT THAT CANADIAN SAFEGUARD MEASURES APPLIED IN SUCH CASES HAVE BEEN JUSTIFIED BUT PLEADED FOR A BETTER US-CANADIAN UNDER-LIMITED OFFICIAL USE

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STANDING TO DEAL WITH SUCH PROBLEMS.

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INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07
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ACTION STR

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(D) GRAINS. CANADIAN DEL STATED THAT CANADA'S MAJOR EXPORT INTEREST IN GRAINS TO THE US IS BARLEY FOR THE MANUFACTURE OF MALT. CANADA ALSO HAS A SIGNIFICANT INTEREST IN BISCUITS, CAKE, MACARONI, NOODLES, AND MALT. HE ALSO EXPRESSED SOME CONCERN OVER THE "FINAL LIST" VALUATION ON BISCUITS AND WHEAT GLUTEN, AND THE POSSIBILITY OF REIMPOSITION OF SECTION 22 QUOTAS ON WHEAT.

(E) FISH. CANADIAN DEL SAID THAT THEY NOTIFIED FISH FOR PRAGMATIC REASONS SINCE THERE IS NO AGREED DEFINITION OF PRODUCT COVERAGE FOR GROUP AGRICULTURE. MOREOVER, HE SAID, CANADA WAS SURE THAT COUNTRIES SUCH AS THE EC AND JAPAN, WHICH ARE IMPORTANT MARKETS FOR CANADIAN FISH, WOULD ARGUE THAT THEIR FISHING INDUSTRIES HAVE AT LEAST AS MANY SOCIAL AND ECONOMIC PROBLEMS AS AGRICULTURE, AND SHOULD THEREFORE BE GIVEN THE SAME SPECIAL TREATMENT. CANADA DOES HAVE A GREAT INTEREST IN FISH EXPORTS AND THE US IS ITS LARGEST CUSTOMER. THEIR MAJOR OBJECTIVES ARE THE ELIMINATION OF TARIFF DISPARITIES AND THE MODIFICATION OF THE TARIFF RATE QUOTAS APPLYING TO TSUS 110.50 AND 110.55. MOST SIGNIFICANTLY, THE CANADIAN DEL EXPRESSED THE VIEW THAT THE FISH SECTOR IS SELF-CONTAINED AND LIMITED OFFICIAL USE

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THEREFORE IT MAY BE APPROPRIATE TO ESTABLISH A SPECIAL SUBGROUP FOR FISH UNDER GROUP AGRICULTURE. HE ASKED WHAT US VIEWS WOULD BE ABOUT THAT IDEA. US DEL RESPONDED THAT SUCH A MOVE WOULD, AMONG OTHER THINGS, HAVE IMPLICATIONS FOR THE APPLICATION OF THE TARIFF FORMULA TO FISHERY PRODUCTS.

(F) BEVERAGES. ACCORDING TO CANADIAN DEL, THE MAJOR EXPORT INTEREST IN BEVERAGES FOR CANADA IS CANADIAN WHISKEY AND THE MAJOR PROBLEMS ENCOUNTERED IS TARIFF DISCRIMINATION AGAINST CANADIAN WHISKEY (CANADIAN WHISKEY IS DUTIABLE AT 62 CENTS PER GALLON WHEREAS SCOTCH IS DUTIABLE AT 51 CENTS PER GALLON), AND THE WINE GALLON/ PROOF GALLON METHOD OF LEVYING US EXCISE TAXES AND IMPORT DUTIES. CANADA SUGGESTED THAT ALCOHOLIC

BEVERAGES FORM ONE PRODUCT GROUP WHERE THE US COULD MAKE CONCESSIONS. ALSO, OF GROWING INTEREST TO CANADA IS CIDER WHICH GENERALLY ENTERS UNDER TSUS 167.15 AND 3 CENTS PER GALLON. ACCORDING TO CANADA, HOWEVER, CIDER IN CONTAINERS HAVING AN ATMOSPHERIC PRESSURE ABOVE A CERTAIN LEVEL MUST ENTER UNDER TSUS 167.10 (AS CHAMPAGNE) AT DOLS 1.17 PER GALLON.

(G) OTHER PRODUCTS COVERED AND PROBLEMS MENTIONED:

-- SOYBEANS: TARIFF DISPARITY BETWEEN US AND CANADA.

-- RAPESEED OIL: CANADIAN DEL MENTIONED THAT IN US RAPESEED OIL FOR HUMAN CONSUMPTION (176.47) WAS SUBJECT TO A HEALTH AND SANITARY BARRIER. HE SAID THAT IT IS NOT CERTIFIED AS "GENERALLY REGARDED AS SAFE" BY THE FDA.

-- SEEDS AND FLORICULTURE: TARIFF DISPARITIES AND MARKS OF ORIGIN ON CUT FLOWERS AND POTTED PLANTS (US ALLEGEDLY REQUIRES "GROWN IN CANADA" ON WRAPPINGS OF PACKAGE).

-- ETHYL ALCOHOL: IMPORTED ETHYL ALCOHOL MUST BE SHIPPED IN BOND TO A DISTILLER TO AVOID EXCISE TAXES.

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7. IT WAS AGREED TO HOLD THE NEXT MEETING THE LATTER PART OF JANUARY TO CLARIFY SOME OF THE POINTS DISCUSSED.

8. ACTION REQUESTED IN ADVANCE OF NEXT MEETING:

(A) CONFIRMATION THAT DEFINITION OF AIRTIGHT CONTAINERS COVERS CRYOVAC PLASTIC BAGS;

(B) US RESPONSE TO POSSIBLE ESTABLISHMENT OF SUBGROUP IN GROUP AGRICULTURE FOR FISHERY PRODUCTS;

(C) BACKGROUND MATERIAL ON QUESTION OF FDA CERTIFICATION OF RAPESEED OIL AND ON THE IMPORT CLASSIFICATION OF CIDER HAVING A HIGH ATMOSPHERIC PRESSURE (SEE PARA 6(F)).

(D) PLEASE ADVISE WHETHER WASHINGTON INTENDS IN DUE COURSE TO NOTIFY AGAINST CANADA MEASURES OTHER THAN QR'S (WHICH HAVE ALREADY BEEN NOTIFIED AND DISCUSSED) AND CONSULT WITH CANADA ON SUCH NOTIFICATIONS UNDER THE SAME PRAGMATIC PROCEDURES INITIATED BY CANADA.CULBERT

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